

# Briefing Note. A consumer view of financial behaviour and ICT in South Africa

By Research ICT Africa! (Ria!)

This note presents the results of a household survey by Research ICT Africa! (RIA!) on the use of Information and Communication Technologies. The survey covered some aspects of financial behaviour in order to test the hypothesis that mobile phone enabled payments could offer financial inclusion to the unbanked. The results presented here are preliminary and nationally representative results will only be published in May 2008. [This note has been prepared for circulation at the CGAP/DfID Regulators Workshop on Branchless Banking, London, March 10<sup>th</sup>.](#)

## Do people have a bank account?

Of the 1771 people interviewed<sup>1</sup> just over 74% had access to an account (i.e. at least one member of the household had an account) and 57% even had their own bank account (with 51% in rural areas having a bank account). When considering the male female divide there is little difference, 59% of men had accounts, and 55% of women had them.

Lack of access to a bank account has an impact. In terms of savings, many of the unbanked keep their money in a “safe place”. It also means that when people need money, they end up borrowing from neighbours and family, stretching the community’s resources.

Compare how people with and without bank accounts store cash	Yes (N=1010) % respondents	No (N=761) % respondents
Keep in the bank account	91.3	1.8
Keep in credit /savings group	2.6	0.3
Give it as a loan to family and friends	2.1	4.9
Buy some kind of goods to store money	2.3	5.1
Invest in the household	24.3	31.8
Keep in a personal “safe place”	24.6	64.5
Other	7.1	16.3

Compare how people with and without bank accounts access small amounts of money	Yes (N=1010) % respondents	No (N=761) % respondents
Selling something	7.8	11.3
Borrow from friends	23.1	39.3
Borrow from family	34.4	58.0
Withdraw from some kind of formal savings scheme	1.1	0.7
Withdraw from bank	72.5	1.7
Borrow from a merchant	0.8	2.5
Other	5.2	15.9

Of those without bank accounts, 18% of respondents indicated they do not need a bank account, implying that over 80% would like access to a bank account. Of those people who would like a bank account, but do not have one, 72% use phones (either their own mobile or public phones) and 44% even own a mobile phone.

## So would a mobile phone enabled proposition be attractive to the unbanked?

Attitudes towards banking – comparison between those with and without bank account	No (N=650) % respondents	Yes (N=441) % respondents
You can easily live your life without having a bank account	41	34
Mobile phone banking can be trusted if backed by a mobile phone operator	19	43
Mobile phone banking can be trusted if backed by a bank	20	48
You would consider having your salary (or your main source of income) paid into mobile phone bank account.	32	61
You are prepared to use technology	43	67
You often don't feel in control of your finances	28	30
Banks take advantage of poor people	29	37
Computers frighten me	22	18
The Internet is here to stay	33	57
You try to avoid technology as much as possible	19	16
You do not like to carry cash	30	45
Having a bank account makes it easier to get a loan	40	54
You are saving for something specific (education, a holiday, appliances, furniture, a car)	32	64

<sup>1</sup> The sample was split 22% major urban, 46% other urban, and 32% rural areas. The results will be weighted to obtain nationally representative figures and unbiased estimators.

A considerable proportion of the respondents without a bank account felt that life could easily be lived without an account. Those with bank accounts exhibit more positive attitudes towards mobile banking and are more prepared to use technology; on the other hand there is little difference in attitudes towards technology itself. Note that more of the banked do not like carrying cash, so this appears to be an attractive feature of accounts. More of the banked feel that having a bank account makes it easier to get a loan.

More of the banked are saving for something specific.

When comparing the views of men and women there are few issues on which opinions are divided - more females are frightened of computers and a greater proportion of men feel the internet is here to stay.

### Would a mobile phone enabled domestic money transfer system be enough?

Sending and receiving mobile phone airtime has been a strategy of users for trading and remitting finance at a distance. It has become a proxy payment system. So how many people get involved with airtime transfers? Less than 10% of respondents had sent and 13% received airtime as a form of money transfer. Of those **without** a bank account 6% had sent airtime and 12% received airtime. An equivalent amount with a bank account, 10%, had sent airtime.

Certainly there is a demand for money transfer. There are considerable transfers between families (and friends). 12% of respondents indicated that their household received money from people living in other villages or cities. The amount received ranges from 100 to 5,000 Rs (median is 700 Rs) and 93% use the money for household expenses.

How do people get the money? Many bring it home in person or send it with a relative, but the banks have a reasonably large proportion of the market.

66% of people receiving national remittances make use of phones. The strategies of receiving are of course reflected in the sending. But perhaps the higher status or disposable income of the senders means that 96% of people sending money nationally use phones.

Means used to receive and send national remittances	Receive % respondents	Send % respondents
Bring it home in person	39.1	26.0
By another relative	20.3	16.0
By a neighbour	5.7	6.9
By bus driver or stranger	7.3	7.3
Through a merchant	1.1	0.7
Through a bank account	37.5	58.0
Through western union / MoneyGram / Foreign exchange bureau	0	0.3
Through the post office	1.1	2.4
Other	4.2	4.5

### Would there be a demand for an international remittance service?

Surprisingly few of the sample receive money from outside the country. Only 12 of the respondents indicated that their household received money from people living abroad. The amount received is larger than domestic remittance and ranges from 500 to 25,000 Rs (median is 2,500 Rs). 50% use money for household expenses, the rest being "invested" in business or a significant asset.

Means used to receive international remittances	(N=12) %
Bring it home in person	0
By another relative	8.3
By a neighbour	0
By bus driver or stranger	0
Through a merchant	8.3
Through a bank account	41.7
Through western union / MoneyGram / Foreign exchange bureau	58.3
Through the post office	0
Other	0

In this case Western Union, MoneyGram or Foreign Exchange Bureaus dominate the transfer flow, although the bank capture almost the other half.

Surprisingly the number of respondents who send money internationally was higher than those receiving, perhaps reflecting South Africa's attraction for Migrant labour from other African countries (4%). Receiving remittances appears to be a mainly rural phenomenon, again reflecting the relative wealth of Urban South Africa. 8% of urban respondents receive money and of these 24% is international. In rural areas, 17% receive money and of these only 1% is from international sources. Of people receiving international remittances, 67% use phones.

### Adoption of Mobile Phone Propositions

A mobile phone based banking solution would cover 72% of those currently without bank accounts. Such a service would be used for storing cash securely and for making money transfers - people currently carry cash, use bank accounts, and make only modest use of airtime transfers. An international remittances service would benefit a relatively small number of people, although the sums are larger, and in total a significant amount of money is transacted. Mobile services would reduce risks associated with storing cash in a safe place, and with carrying cash.

**Research ICT Africa! (RIA!)** [www.researchictafrica.net] fills a strategic gap in the development of a sustainable information society and network knowledge economy by building the ICT policy and regulatory research capacity needed to inform effective ICT governance in Africa. The network was launched with seed funding from the IDRC [www.idrc.ca] and seeks to extend its activities through national, regional and continental partnerships. The network is hosted at the Witwatersrand University, LINK Centre [link.wits.ac.za], under the directorship of Professor Alison Gillwald. The survey was designed and coordinated by Dr. Christoph Stork. Each member country has a nodal member responsible for coordinating RIA! activities in his/her respective country. There are further regional coordinators for East Africa, Dr Lishan Adam, and for West Africa, Dr Olivier Nana Nzèpa. This note was prepared with the assistance of Gamos UK [www.gamos.org], and with funding from IDRC and DFID [www.dfid.gov.uk]. This document is an output from a project funded by the respective donors for the benefit of developing countries. The views expressed are not necessarily those of the donors.